

REPUBLIC OF GHANA

NATIONAL LIBERATION COUNCIL

BUDGET STATEMENT

FOR

1967-68

BY

BRIGADIER A. A. AFRIFA

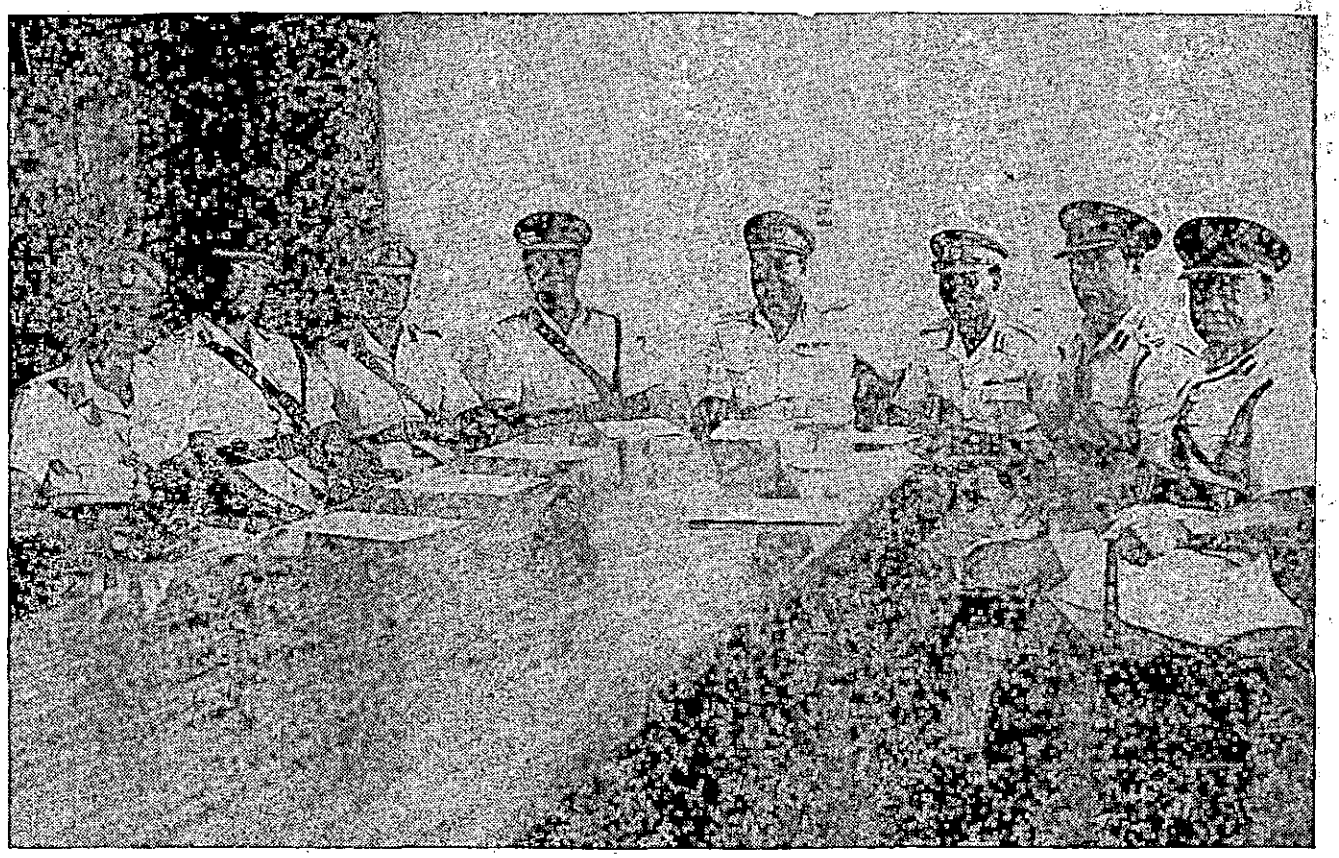
Member of the National Liberation Council and Commissioner responsible for Finance

MINISTRY OF FINANCE

4TH AUGUST, 1967

BUDGET STATEMENT

1967–68



Original members of the National Liberation Council

THE NATIONAL LIBERATION COUNCIL

BUDGET STATEMENT FOR 1967–68

By

BRIGADIER A. A. AFRIFA

Member of the National Liberation Council and Commissioner responsible for Finance

Fellow Citizens and Friends,

A year ago, the National Liberation Council introduced its first Budget. The main purpose of that Budget was to provide a basis for a policy of stabilisation aimed at bringing the economy of the country back to an even keel after the mismanagement of the previous era.

2. A large number of the aims of that Budget, I am happy to say, have been achieved. We have succeeded, to an appreciable degree, in bringing Government expenditure under control—for the first time in many years a position of balance was achieved in the public sector in 1966–67; our external debt has been re-negotiated so successfully as to bring the burden of payments within manageable limits; the deficit on our balance of payments has been reduced even though it continues to pose serious problems for the economy; the State enterprises, many of which had become a drain-pipe on the national purse have been re-organised through the offer of participation to private companies with the necessary managerial and technical expertise and in some cases through outright sale to Ghanaian enterprises; and the internal price level has also been stabilised partly through improvements in the supply position of essential commodities.

3. These achievements have been recorded not by the waving of a magic wand but through the pursuit of realistic economic policies supported by the co-operation and assistance of the whole population.

Exchange Rate adjustment

4. Over the past few weeks we have deemed it necessary to introduce far-reaching economic and financial measures because we realise that our problems of national reconstruction need to be tackled at the roots if we are to achieve any lasting improvement in our economic condition. The change in the external rate of the new cedi and the consequent rise in the prices of imported commodities, we realise, will result in a certain amount of hardship for some sections of the community. We want to assure you that these hardships were fully anticipated by us and that we of the National Liberation Council are convinced that this is the price we have to pay for the future economic and financial health of the nation.

5. Fellow Citizens and Friends, we might be inclined because of the temporary hardships these measures impose upon us to criticise or to question the basis for the decision to introduce these far-reaching reforms. The question we should ask ourselves is—Could we have done otherwise? Could we have achieved our national economic aims any better than through the swallowing

the past few years been living beyond our means. As a result of the bankrupt and irresponsible economic policies pursued by the old government, Ghanaians have been made to consider themselves richer than they really are. We have ostensibly been provided free education, free health services, free textbooks for our children, etc., without being fully informed of the means whereby these seeming gifts have been obtained. Needless to say, a large proportion of this has come from your pocket and mine through the heavy taxes we have had to pay. In addition some of these services have been obtained through the accumulation of huge external debts which have yet to be repaid. Moreover, th ough the inflationary financing of annually increasing budgetary deficits, domestic costs and prices have been distorted beyond all recognition thus rendering imported goods cheaper than our own locally produced commodities. Now, apart from the fact that our present foreign exchange situation makes it impossible for us to be in a position to afford the luxury of importing every bit of our requirements from abroad, it stands to reason that as a nation we have to learn to stand on our own feet by supplying as much of our requirements as our resources will allow.

6. In the past eighteen months, our efforts at national reconstruction have been sustained partly through the assistance and willing co-operation of some of our foreign friends. A recent publication issued by the Government indicated that the external financing gap in 1967 alone would amount to N₵95 million. This gap which can only be financed through external borrowing and through aid from friendly countries and institutions can be regarded as a measure of our dependence on external help for the maintenance of our present levels of living. It is also a measure of the extent to which we have been living beyond our means. Since international charity does not last forever, and since any loans we obtain in order to maintain our existing standard of living will have to be repaid, at a future time, it is obvious that we have to make fundamental changes in our economy in order to bring our standard of living within a realistic level. This is the primary justification for the alteration in the external rate of the new cedi which has in turn made it possible for us to introduce much-needed changes in our economic system such as increasing the producer pri e for cocoa. In spite of the obvious advantages in the new measures, it is apparent that the population will be required to make some contribution if the aims of the reforms are to be fully achieved. The National Liberation Council realises that some adjustments will have to be made in order to ensure that these measures do not create burdens beyond the limits that can be borne with equanimity.

Economic Policy

7. Adjustments of a long-term nature can, however, only be made within the context of a consistent economic policy covering a number of years. As a means to this end, the Government is publishing concurrently with this year's Budget "An outline of Government Economic Policy" which sets out among other things, the policy the Government intends to follow in the fields of agriculture, industry, social services, etc. It is intended to follow this up very soon with comprehensive policy statements on Agriculture, Industry and the role of Ghanaian enterprises, which are the areas where efforts at economic rehabilitation will have to be intensified to the greatest possible degree.

Agriculture

8. In agriculture, the principal aim will be to lay the foundations for significant advance in the pattern of agricultural production. The policy of crop diversification will have to be vigorously pursued in order to boost the production of crops other than cocoa, namely, foodstuffs and raw materials for our existing and future factories. Yields of food crops will have to be increased through the use of better seedlings, fertilizers, disease control and improved methods of cultivation. As a minimum target we intend to increase the production of foodstuffs by an annual rate of 4 per cent. We have the natural conditions for the production of rice, maize, sorghum, groundnuts, cotton, kenaf, urena lobata and tobacco. Every encouragement will be given to farmers to produce enough of these crops for domestic consumption and export.

9. Production of cocoa, our main export crop, did not come up to expectation during the past year on account of a number of factors, the most important being the difficulty in obtaining labour to maintain the cocoa farms and the inadequacy of capsid control. The recent increase in price to NC6.50 per load should go a long way in helping the farmers to overcome the rising production costs and to ensure more complete harvesting. Arrangements have already been completed to make available sufficient supplies of Gammalin 20 alongside with the reduction in the price of spraying machines in order to enable farmers to control capsid pests effectively.

10. Crop and livestock production as well as production of feeding stuff will also be expanded and State enterprises engaged in this field will be put on a commercial basis with the majority of shares owned in the first instance by government. Later, it is hoped that some of these shares will be sold to the general public.

11. Great attention will also be given to the improvement of our forest estate and the enhancing of its value by increased silvicultural and managerial activities. It is hoped that advantage will be taken of the bonus which devaluation of the currency has offered to increase the value of our exports of timber products.

Industry

12. In the industrial field the main objective of government policy will be to achieve a steady increase in industrial output as a means both of substituting locally produced goods for imported goods, which we cannot afford, and of increasing our capacity to export. As a short-term objective government will endeavour within the limits of our foreign exchange availabilities to promote maximum use of existing factory capacities by increasing facilities for the supply of essential raw materials and equipment. Efforts will also be made to resume the completion of viable projects, to enable them to contribute their share to the national economic effort. In the state sector our efforts at re-organising the state enterprises will be vigorously pursued, while full encouragement will continue to be given particularly to Ghanaian enterprises in the private sector. Benefits under the Capital Investments Act have so far been made available only to foreign enterprises. Steps will be taken in future to extend the concessions under the Act to genuine Ghanaian enterprises. I would like to take this opportunity, however, to emphasize the need for Ghanaians to cultivate the spirit of co-operation in the business field. There are far too many Ghanaians doing business on an individual proprietorship basis. We all know the dangers attendant on the organisation of business along

these individualistic lines. Apart from the limits to expansion which this system of business organisation imposes, the removal of the linchpin in the system may well mean the demise of a once-thriving organisation. While government's policy is aimed at encouraging Ghanaian enterprise, it is apparent that the competition offered by foreign firms can only be effectively met if Ghanaian enterprises are efficiently organised.

Development Plan

13. Fellow Citizens and Friends, the policy of stabilisation and consolidation which we have been pursuing does not imply that we wish the economy to stagnate. Indeed, the purpose of adopting this policy is to ensure that we make maximum use of such investments as already exist in the economy. But we also wish during this period of stabilisation to prepare the ground for the resumption of expansion in all fields of economic activity according to a properly determined order of priority. To this end we intend during the consolidation period to conduct sectoral studies into the fields of agriculture, telecommunications, water resources and transportation. In the preparation of these studies, which will provide a firm foundation for a thorough-going national development plan, we are obtaining both financial and technical assistance from external sources. It will be our aim to solicit the active participation and co-operation of persons in all walks of life to assist in the preparation of the next Development Plan so that, when completed, it will command the full support of all of us in its implementation.

Re-deployment of Labour

14. Over the past eighteen months, as a direct result of our efforts at economic stabilisation, a sizeable amount of unemployment has developed. Some of those who were laid off have found alternative employment. But there is still an appreciable number of persons who have not yet succeeded in finding new employment. Needless to say, we appreciate the wastage of valuable human resources which this situation involves quite apart from the social and other problems which such unemployment engenders. We propose during the current year to continue the special efforts which were started last year to absorb as much of the unemployed as possible through special relief works. Substantial provision has been made in the current year's estimates to provide additional openings not only for those who were rendered redundant as a result of the consolidation exercise but also new entrants into the labour market. To this end the work of the Re-deployment office will be intensified to identify the skills of those still on the redundant list so as to improve their chances of finding suitable jobs. We also hope that the vigorous support which government is giving to the private sector will assist in the creation of more opportunities for useful employment for the unemployed.

Wages and Salaries

15. Fellow Citizens and Friends, as part of the measures introduced by government on the 8th of July, a number of persons in public employment have been offered some increase in their wages and salaries. These increases have been offered not only to alleviate the immediate hardships due to the sudden rise in the cost of living resulting from the devaluation of our currency, but also to bridge the gap that has developed over the years in the level of earnings between the private and the public sectors of the economy. I would like to take this opportunity to appeal to private employers as well as workers

to exercise restraint in demands for wage increases since any wild increases in wages may through increasing costs erode any benefits that we may obtain from this measure of exchange rate adjustment.

16. I also wish to address a special appeal to our expatriate friends particularly in the public service. Government is well aware of the special hardships which some of you may have to undergo as a result of the adjustment in the exchange rate of the new cedi. Nevertheless government wishes you to understand the circumstances that have given rise to the need to impose such measures. It is our hope that you will co-operate and assist us fully during these difficult days.

GOVERNMENT FINANCES

The Past Year

17. Fellow Citizens and Friends, the 1966–67 Budget which was introduced to you by the Chairman of the National Liberation Council on the 20th of July last year provided for a total expenditure of N₵334.3 million. This was made up of N₵209.7 million for Recurrent expenditure and N₵124.6 million for Development expenditure. Total receipts for the same period were estimated at N₵297.1 million. There was thus an uncovered deficit of N₵37.2 million which it was expected to wipe out as a result of our decision at the time to re-negotiate the debts arising out of our overseas suppliers' credits.

18. Supplementary Estimates approved in the course of the year increased estimated expenditure by N₵22.9 million of which N₵20.8 million was for Recurrent expenditure and N₵2.1 million for Development expenditure. For the whole year therefore total estimated expenditure came to N₵357.2 million. Accounts for the 1966–67 financial year have not yet been finalised but the indications are that we might close the year with a surplus of N₵1.8 million. Provisional figures received from the Accountant-General's Department show the following position:

Expenditure	*N₵*	*N₵ Million*
Recurrent Expenditure		212.8
Development Expenditure (excluding debts arising out of suppliers' credits)		68.0
Total Expenditure		280.8
Receipts		
Ordinary Revenue	243.7	
Capital receipts	38.9	
Total Receipts		282.6
Surplus revenue over expenditure		1.8

19. We were able to achieve this surplus not only because Government expenditure was reduced but also, and perhaps more important, we obtained substantial assistance by way of soft loans, gifts and technical assistance from a number of friendly countries and international organisations. We were also able during the year to re-schedule most of our debts in respect of suppliers' credits. On behalf of the National Liberation Council, I wish to place on record

our grateful thanks to those countries and international institutions which made this possible. I can only hope that we shall continue to conduct our economic affairs so prudently that they will have no cause to feel sorry for the assistance they have given us in this our time of need. Like Oliver Twist we would like to hope that we can continue to count on their support and assistance in the great task that lies ahead of us.

The Current Year

20. Fellow Ghanaians and Friends, I will now like to turn to the details of the Budget for the year 1967–68. The Annual Estimates provide for a total expenditure of N₵393.2 million to be drawn from the Consolidated Fund. This is made up of recurrent expenditure of N₵303.8 million and Development expenditure of N₵89.4 million. This year, for the first time, we are treating the servicing of our debts in respect of suppliers' credits as Recurrent instead of Development expenditure. In addition, we have provided the sum of N₵10 million to pay for arrears of contributions which various Government Agencies, including statutory boards and corporations, should have paid to the Social Security Scheme. There is no justification for such gross neglect of duty but under the sordid conditions which we inherited from the old administration we have no alternative but to ask the taxpayer to make good these payments in the interest of the workers concerned.

21. The Ghana Railway and Ports Administration have also budgeted for a recurrent expenditure of N₵17.2 million. This will be met out of the funds and accounts of the Railway and Ports Administration themselves. After providing for this expenditure, the Railway and Ports Authority expect a surplus of N₵2 million during the year. This figure is much lower than the estimated surplus for last year but it will have to be remembered that the Administration have suffered recently due to lack of spare parts and rolling stock. It is our hope that with the current offer of commodity loans, the Railway and Ports Administration will be able to obtain their essential supplies to enable them to show a bigger surplus than it has now shown in their estimates. I would like at this stage to congratulate the Railway and Harbours Administration for the very good work they have done in these very difficult conditions.

22. I would also like at this juncture to say that although the Electricity Corporation of Ghana and the State Transport Corporation formally came into existence not so long ago they have worked so hard that it has not become necessary for the Government to give them a subvention to meet their ordinary running expenses. I may also, perhaps, mention here that one of the immediate results which we have achieved from the recent devaluation is the good news that two of our State Enterprises which have hitherto been a drain on Government resources are now expected to end their dependence on subventions from the national Budget. I refer to Ghana Airways Corporation and the State Gold Mining Corporation. I wish them well. I think we can look forward to the day, which I hope will not be too long delayed, when these organizations will be able to contribute to the coffers of the Government to justify the huge investments that we have already made in them.

23. The re-organisation of state enterprises has reduced to a considerable extent their dependence on the national exchequer, although there are still a few which cannot continue to exist without substantial support. At the same time there are other state enterprises and joint ventures which have been

making significant contributions to the national Budget. I had the opportunity during the past year of receiving substantial dividends from the Bank of Ghana, the Ghana National Trading Corporation, the Ghana Commercial Bank, the State Paints Corporation and from Lever Brothers (Ghana) Limited. I do hope that other enterprises will emulate the shining example of these few.

24. Against an estimated total expenditure of N¢393.2 million, ordinary revenue is expected to be N¢288.7 million. In addition it is estimated that capital receipts amounting to N¢104.7 million will be received during the year. These receipts include loans to be raised locally from non-bank sources as well as funds to be made available to us by friendly countries through commodity assistance and project loans. Total resources that are likely to be available to the Government during the year are therefore estimated at N¢393.4 million. There will thus be a small surplus of N¢200,000 during the year.

25. Fellow Citizens and Friends, we must congratulate ourselves on being able to achieve this balance in Government Budget after the huge deficits of recent years. It is true that if you examine the figures as set out in the *Financial Statement* you will find that there is a deficit of N¢15.1 million on current account; but as I have already explained this is accounted for partly by the inclusion of N¢10 million representing arrears of contributions to the Social Security Scheme and partly by the transfer this year of N¢32.6 million in respect of our external debts from the Development to the Recurrent portion of the Estimates. Nevertheless, it is necessary to realise that we cannot rely indefinitely on loans and aid, to pay our debts. These debts which were accumulated for us by the old regime must be paid by us and us alone. It is therefore necessary that every effort should be made to pay them from ordinary revenue either through additional taxation or through reducing further Government Expenditure. It is already clear from comments being made through the press and other media that we are not in a position to accept any additional tax burdens at present. Moreover, as I have already said, we of the National Liberation Council, in our desire to restore balance to the Budget, have committed ourselves to place emphasis on the reduction of Government expenditure rather than on increased taxation.

26. With this in mind, and after very careful consideration, the National Liberation Council has decided to adopt the following policies which, it is hoped, will in due course, help to reduce Government expenditure and make additional taxation unnecessary.

27. I will start with Education. Firstly, last year we modified the free textbooks scheme by making the Government responsible for the supply of basic textbooks, exercise books and other materials to all pupils in the primary, middle and secondary schools. These books and materials were to become the property of the children but it was decided that parents should make a contribution to the cost of these books and materials by paying about N¢1.70 per annum in respect of children in primary schools; N¢4.00 per annum in respect of children in middle schools and N¢10.00 per annum in respect of children in secondary schools. With our foreign exchange position still tight, it has become impossible to implement this policy because we cannot pay to bring in enough books to replace all those that will have to be taken away by the pupils at the end of this academic year. It has therefore been decided, very reluctantly and as a *temporary* measure only, that children should not be allowed to take their books home at the end of the forthcoming school year. The books will

the property of the Government but children will be allowed to take home essential books for their home-work and will be required to pay a smaller fee, to be announced later, for the use of these books. I wish to assure you that as soon as circumstances permit children will be allowed to own books which they can call their own.

28. Secondly, the old Government, in its characteristic way of monopolising every institution in the country, took over a number of private commercial schools without even consulting their owners. Since the take-over of these schools Government has spent large sums of money in improving them. As it is the policy of the National Liberation Council to encourage private initiative it has been decided to hand over these schools back to their owners, if they so desire. The Ministry of Education will however, keep an eye on the schools concerned to ensure that the pupils who go to them get value for the money that their parents pay on their behalf.

29. Thirdly, hitherto every student in a teacher-training college has been paid an allowance which enables him to meet all his requirements with some money to spare. In our present financial position it is unwise to continue with this policy. It has accordingly been decided that this system should be modified. In future teachers-in-training will be on scholarships, the value of which will be sufficient to cover the cost of tuition, board and lodging. It will be expected that parents will be willing to provide their wards with some clothing and pocket money. Provision will be made to cater for genuine cases of hardship.

30. Lastly, at present there is disparity in the value of scholarships granted to science students and students pursuing other courses in our universities. There is no justification for this discrimination. It is therefore proposed that in future all scholarship awards in our universities will be at a flat rate of N¢500 per annum, except for medical students who will receive an extra N¢50 per annum. This extra amount is meant to assist them to buy their textbooks which are known to be more expensive than text books required in the other disciplines.

31. I will now turn to Health: In recent years the Government has spent large sums of money to provide first-class health facilities in some parts of the country. In order to make it possible to expand these services to the more remote areas it is necessary to call upon those who now benefit from these services to pay a small amount for this privilege. It has therefore been decided that in future any patient who visits a Government hospital will be required to pay a small fee for his prescription. In-patients who receive treatment in luxurious wards will be required to make higher contributions. Details of this will be announced later.

32. A good deal has been said about the number of our foreign missions abroad. The Government is very much aware that with the recent adjustment in the exchange rate of the New Cedi our foreign service has become a very expensive proposition. But I wish to remind you that when the National Liberation Council took over the reins of Government on the 24th of February, 1966, Ghana had 66 missions abroad. We have reduced this number to 44 and we are still considering what further economies can be made without offending accepted diplomatic rules.

33. As a further means of reducing Government expenditure, the National Liberation Council has decided that as soon as the Estimates have been approved each Commissioner will review the estimates of his Ministry and

make as much cuts as are compatible with efficiency. The Estimates of expenditure that are being presented to you today can therefore be regarded as indicating the maximum expenditure that Departments can incur. Last year the Chairman of the National Liberation Council informed you of a proposed Decree that would regulate the conduct of public officers in relation to State Funds. I am happy to inform you that the Decree—the Financial Administration Decree, 1967 has now been passed. It is hoped that our public officers will observe scrupulously the limits imposed by the allocations in the Estimates.

Tax Proposals

34. Fellow Citizens and Friends, I now turn to the subject which I know all of you are anxious to hear about. I refer to the National Liberation Council's proposals for financing the Budget. As I have already said, the Council does not believe in raising unnecessary taxation merely because it wants money to finance Government expenditure. It believes more in reducing Government expenditure than in increasing revenue through additional taxation. It is therefore proposed to make some slight changes in the existing tax laws so as to give concessions to people in the lower income groups as well as to those who have suffered financially as a result of the recent adjustment in the exchange rate of the New Cedi.

Income Tax

35. I shall first deal with income tax. At present there are two rates of tax levied on companies. Industrial and manufacturing companies pay a tax of 45 per cent on their profits while all other companies pay tax at the rate of 50 per cent. It is proposed to charge a uniform rate of 50 per cent for all companies.

36. It is Government's intention to abolish the withholding tax which imposes a tax of 20 per cent on profits which are repatriated. I am sure that you will agree that we cannot cry out for foreign investment and at the same time penalise those foreign investors who are already in the country by imposing an additional tax on profits which they intend to repatriate for payment to their shareholders. In view, however, of our present foreign exchange difficulties, it is not possible to abolish this tax immediately and it is therefore proposed to do so in three stages. For profits earned as from 1st July, 1967, it is proposed to reduce the withholding tax from 20 per cent to 12½ per cent. This will subsequently be reduced until by the end of the third year, the tax would have been removed altogether. We hope that our expatriate friends will regard this as proof of our desire to encourage foreign investment and also of our determination to liberalise our foreign exchange transactions as soon as conditions permit.

37. To encourage timber and industrial concerns, it is proposed to exempt them from Excess Profits Tax the rate of which is to be increased from 5 per cent to 10 per cent for all other companies.

38. At present, the Income Tax law provides that where a company makes a loss in any one year, it has to pay a minimum tax calculated at 2½ per cent of its turnover. To give encouragement to new enterprises it is proposed to exempt such enterprises from the minimum tax during the first five years of their existence.

39. As a result of the recent devaluation some companies and individuals, especially Ghanaians, have lost considerable sums of money. To help them remain in business therefore, it is proposed to amend the Income Tax Decree,

1966 to make it possible for such companies and individuals to carry forward losses which are proved to the satisfaction of the Commissioner of Income Tax to have been incurred as a result of the devaluation.

Personal Income Tax

40. So much has been said of the difficulties experienced by our friends in the lower income groups. We appreciate their difficulties and sympathise with them. I am therefore happy to say that the National Liberation Council has decided to raise the tax-free income from N₵240 to N₵300 and to exempt all those earning up to N₵400 per annum from tax instead of the present N₵300. In addition, marginal reliefs will be given to those persons earning between N₵400 and N₵410 per annum. The effect of this will be that whereas under the existing law a man earning, say N₵401 per annum will be required to pay income tax at the rate of N₵5 per annum, this same man will now be required to pay only 50Np.

41. It is also proposed to reduce slightly the tax payable by all employees earning up to N₵4,000 per annum and to increase it slightly for all those earning N₵4,500 and above per annum.

42. Hitherto visiting lecturers and professors to our University institutions have been assessed tax at the non-resident rate of 35 per cent. This is too high and has tended to deprive our universities of the invaluable services rendered by such visiting lecturers and professors. It is now proposed to amend the law to provide for such people to be taxed at the normal resident rate.

Miscellaneous Taxes

43. *Entertainments Tax.*—It is proposed to abolish the 10 per cent entertainments duty on admission to concerts and live theatres and to charge a flat rate of 25 per cent in the case of all other chargeable entertainments.

44. *Withholding Tax from contract payments by Government.*—It is proposed to reduce the tax from 5 per cent to 2 per cent for traders or individuals and 2½ per cent for companies. It is also proposed to exempt companies pre-financing Government projects, provided it is proved to the satisfaction of the Commissioner of Income Tax that such companies have no outstanding income tax liabilities.

45. *Capital Gains Tax.*—It is proposed to abolish this tax.

46. *Property Tax.*—There have been several criticisms from the public against this tax because of the multiplicity of taxes that a property owner is called upon to pay in respect of the same property. Local Authorities have also complained that as a result of the imposition by the Government of property tax, property owners are more prepared to pay this tax to Government rather than pay water and municipal rates which are collected by the Local Authorities. For these reasons it has been decided to abolish this tax and it is hoped that local authorities will be able to formulate more realistic financial measures that will enable them to collect sufficient revenues to carry out the responsibilities which they owe to the public, without resort to large Government subventions. The abolition of this tax should also check the rising trend in rents.

47. *Air Letter Cards.*—Prior to the change to the new cedi the rate charged for air letter cards was ten old pesewas which on conversion now becomes eight and a half new pesewas. This new rate is inconvenient and it has therefore been decided to round it off to nine new pesewas.

48. *Customs Duty and Sales Tax.*—I now wish to speak about customs duties and sales tax. In the statement which I made to you on the 8th of July in connection with the adjustment in the foreign exchange rate of the new cedi, I informed you of the National Liberation Council's decision to waive, or to reduce substantially, customs duty and sales tax on a number of essential commodities in order to retain the selling prices of those commodities at the levels prevailing before devaluation. The commodities affected were meat, fish (fresh and frozen), tinned fish, milk, rice, flour, sugar, petrol and kerosene. The National Liberation Council has given thought to some more of these essential commodities and I am happy to inform you that it has been decided to waive sales tax on corned beef. This should mean a substantial reduction in the price per tin. It has also been decided to reduce customs duty on tyres and tubes from 50 per cent to 30 per cent *ad valorem* and on live animals from NȻ8.40 to NȻ6.00 per head. In order to give further incentives to our local manufacturers and also to reduce the selling prices of locally manufactured goods it has been decided to reduce sales tax on all excisable locally manufactured goods including beer from the present rate of 11½ per cent to 7½ per cent. In the case of textiles the reduction will be from 11½ per cent to 5 per cent. It is expected that with these reductions in sales tax and customs duty it will be possible to reduce the prices of locally manufactured goods to the advantage of the consumer. On the other hand people who prefer to buy the more expensive imported commodities will be at liberty to buy them provided they are prepared to pay the price.

49. These changes in income tax, customs duties and sales tax are embodied in appropriate Legislative Instruments and Decrees which will be published shortly after this Statement.

50. The Ministry of Trade will also publish shortly the revised controlled prices based on these tax reductions and I wish to appeal to you all to study the new prices carefully and not to allow yourselves to be cheated by unscrupulous traders.

51. Representations have been received suggesting reductions in taxes of a few other commodities such as matchets and cutlasses. It is not possible to give these additional reliefs because of their revenue implications. In the particular case of matchets and cutlasses the present retail price is about a third of the price which our farmers were paying for them—if they were lucky to obtain them—before the Revolution.

52. The timber industry in Ghana has been depressed in recent years largely as a result of mounting production costs. In consequence our timber exports have been priced out of our traditional overseas markets. The devaluation of the cedi will enable our timber to compete favourably with similar products from other countries. Incidentally it has come to our notice that timber agents in Ghana are reluctant to pass on the benefits of devaluation to the small Ghanaian producer. This is tantamount to cheating on the part of these agents. I would like to warn such agents to pay the appropriate price for the products failing which the Government will be compelled to take drastic action against them. As an added incentive to the timber trade, certain reliefs are being offered. They are designed to favour the export of processed as against unprocessed timber and also to encourage the exploitation of the many lesser known species in our forests. It is proposed to reduce the levy of 5 per cent formerly charged by the Timber Marketing Board to 1 per cent in the

to reduce the export duty on sawn timber of all types other than curls by 1 new pesewa per cubic foot. Moreover the Railway and Harbours Administration intends to consider a review of railway freight for timber.

53. It is proposed to abolish the export duty on diamond. This will encourge the newly-licensed diggers to use the official Diamond market for the sale of their products.

54. Fellow Ghanaians and Friends, the Budget proposals which I have just read to you are intended to help us overcome some of the grave economic difficulties which have been inflicted upon us by the old Government. We have tried as much as we can to offer major reliefs to all taxpayers and particularly to those in the lower income groups to alleviate the effect of the recent economic reforms. I wish to take this opportunity to remind you that it is only through hard work that we can raise our standard of living. Let us therefore move together as one people to the great task of revitalising our economy.

PRINTED BY THE STATE PUBLISHING CORPORATION (PRINTING DIVISION)
ACCRA–TEMA, GHANA